

The Conception of Economic Development of Indonesia

Compared to the old order period, the condition of Indonesia's economy at new order period is relatively more stable. Unstable moment at the old order was often happened due to many security and political troubles, like the happening of Liberation of west Irian, opening confrontation with Malaysia, the happening of rebellion of communist movement or so called G 30 S / PKI, etc. Actually in this period there are many thinkers of economy development, such as Syafrudin, Sumitro, and M.Hatta. But instability made their concepts cannot be completely implemented.

Better economic concept was woken up by governance of new order nicely, that is a system of development was sustainable and continuous, in which this system has made stronger economic foundation. Execution of development concept the first and the third step or popularly recognized with *Pelita* (I - III) focused at accomplishment of requirement of food for society (self sufficiency in food). Later; then step hereinafter, that was changing over at industry especially related to the agriculture sector (*Pelita* III-IV). Becoming problems the happening of deviation of execution of concepts which have been made. Point that was becoming fundamental problem, that is at the switchover time of development focus which ought to from agriculture to convergent industry at agriculture sector, but what happened was industry base on at high technology which is not closely related to agriculture sector.

This situation made our economy foundation became weak, it was proven by the shaking of economics of Indonesia at the time of economy convulsion glimpse globally in Asia.

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In this time, -in a condition with the very dynamic society- is the economic development concept of new order still being relevantly applied? Or do we need to think of new concept which is more appropriate?

Some Thought of Economic Development in Indonesia

At the transition period around the year 1949, concept of economic development of Indonesia emerged from Hadinoto -a chief of PNI- owning idea for example:

1. Economics of Indonesia in this time are emphasized and put in the way of domestic private sectors
2. Nationalizing foreign company to be state-owned company.
3. Economic structure of Indonesia is heritage of Dutch government.

Besides, Syafrudin also gave many ideas to the concept development of Indonesia's economy. Some steps which were made by him are likely having reference to capitalism free market approach. According to him, the existence of competition is needed to improve product's quality and productivity. The importance of opening for private sector to expand in economic will strengthen national economic that formerly being based on domestic economy. Intervention of government to few economic sectors is possibly minimized. Company is strategically required to be nationalized or become BUMN (*Badan Usaha Milik Negara*). Investments from foreign countries, especially from industrial countries are needed to rouse domestic economy. To balance and to accelerate up at strong industry hence Indonesia have to draw up the ability of human resources which is capable, so that education have to be noticed to prevent the past sad history not to occur again, and continuously depended on from abroad. Syafrudin also emphasized that development of industry must be based on agriculture resources of natural which owned.

Other thinker of economic development is Sumitro Joyohadikusumo. His concept was more embracing of socialism. Existence of division of fair production only happens with socialism concept. He emphasizes the role of government in development of developing countries economy which is not a choice but should be conditionally required. A role of government becomes important component in a state of economic development. He disagrees to the classical argument that says market could walk itself without government intervention (*laissez faire*). Government has to get mingled up with supply of social goods, industry and banking. That thing must be done because autonomous investment won't be able to exist. In the case of important company which becomes requirement of society has to be mastered by private sector and state require opportunity to expand. Emphasis of development on agriculture bases is similar to Syafrudin's concept, but the image of developed industry has to be quickly liked reasoning rich state.

Hatta, (the then vice president) at that time have told that development strategy of periods to come, state can intervene:

1. Company optimization, so that they will be able to not only increase efficiency but also the quality of product at lower price.
2. Division of ownership and operation of government-managed company with private sector. That thing is to support economy which private sector and government do not have.
3. Supervising in economic enterprise

Moreover, convergence of economic bases originates from Indonesia with the values of cooperation and togetherness. For instance, rice cultivation in villages is a cultural reflection of *gotong royong*, kinship, brotherhood, and familiarity. Difficulties of labour which do not have much capital entail some aid of government. Private sector also has to be involved to develop important sectors and economics require mastering by state. The great challenge of agriculture sector

is it is really needed to be the one of major industries and government also has to emphasize this industry being based on agricultural sector.

Economic Condition in Indonesia

a). Economic Potential of Indonesia

Indonesia which the majority resident having occupation as farmers with large farmland though most of them are merely paid workers hides its big potentials to contribute for the economic growth. Economic growth which starts weakened after economic crisis of year 1997 cannot excite agriculture sector to awake and most probably cannot stable the economy. Immeasurable of natural sources having by Indonesia could be optimized through better planning and serious concern for the sake of development and prosperity of society.

Destruction of economy happened when crisis moment able to shown up and crushed any economic system which not yet settled and sturdy. Thereby need the existence of strategy and goodness of economic development which are able to arrange. Existence of policy which not yet earned to be executed by society because of their understanding which is still low and be highlighted with low education story and status level is lacking of development of human being which not yet succeeded. That thing is which is on a period of new order not yet thereby aimed at development technology go forward not yet can use human being resources coming from domestic.

b). Challenge and problem.

Political instability and commutation of central governance which is surrounded with hubbub and blood spilling society which is still categorized as low educated one become a challenge that must be faced and solved by government in this time. Destruction of economic through crisis at this moment knock over Asia and

change freedom in trying and voicing to establish very dynamic society at selected matter which concerning trust to governance in this time.

Acceleration of globalization that is possessed by each state open to wide access that will be able to add good emulation of labour and emulation of struggling of market compartment and goods quality. Human capital which is still attributed with lower quality will pursue better process and development of industrialization in domestic, which produces output goods that recently is difficult to compete in the field of international standard. So that, Indonesia is just becoming market to sell overseas product with high quality.

Indonesia have much amount of debt which not yet also in finish, adding fund to defray economic activity and commerce which have started normal in monetary. Problem which become governmental problem have to lessen clipped subsidize for society.

Conception of development in the future period.

To start the development in short-run and long-run we need to learn further what state owned. So, we should not suffer failure like time before. Existence of weakness and potential which Indonesia owned is important to notice in purpose to reach the optimal economic stability. Potential is required to be developed as a pledge and also development igniters.

Some concepts which have been thought of by former peoples can be used to determine concept or idea of development in the future. Harmonization with existing condition has to relevance with made concept. Development distortion that happened also must to be paid attention.

Some concepts are needed to improve Indonesia's economy which was passing reform period but not concerning economic

concept which was early comprised. Therefore, in this paper we propose some concepts in line with economic recovery and development in Indonesia:

1. Developing of economic based on agricultural sector.

Agriculture Sector is special potential which owned by Indonesia. View from natural condition that is fertile and most of society who are occupied on this sector make this sector must be placed in special place in the development framework. In past time, Indonesia have succeeded the self-sufficiency of food through "swasembada pangan" program which brought Suharto to receive award from FAO in Rome, but in reality from this moment on, Indonesia is still importing many agricultural products like rice, maize, grist from neighbour states like Australian, Thailand. Why this happened? Isn't it true that agriculture potential had by Indonesia, but we require to import some food from abroad. This condition happened because less concern from government to develop the agriculture sector, government still does not focus optimally in agriculture sector. This matter is proven by action done by new order governance. Government has made fatal error when decided to leave attention on agriculture sector and move to the industrial ones.

For the further conception of development, Government shall posit agriculture sector in the special place in every national economic development project, though natural economic growth must be taken account in the industrial sectors. Besides, government should be doing policies or actions supporting development in field of agriculture sector. Policy or government action which shown such as farming pentameter, agriculture subsidy, KUT (*Kredit Usaha Tani*), KUD (*Koperasi Unit Desa*), and the other supporting agriculture sector was constantly require to be defended and then require to be

added with other action or policy which have added value to goods so that it will enforce the development of agriculture sector. Beside that, government needs also to support growth of industrials sector which is actively playing important role in agriculture so that Indonesia cannot only produce agriculture products in the form of primary output but also value added product of agriculture, and some other by-products or augmented products like textile, cosmetic, food, and others. Besides, this condition will cause "backward effect" in the economy and it will strengthen the position of farm sector and industry in agriculture sector of Indonesia.

2. Development of human capital as foundation in switchover to important.

In the industrial sector, the most important thing in developing human capital is education. Particularly, education focusing on agro-product and industry that is based on agriculture sector. To know that the strength of technology will improve output on its quality and also lower specified prices. The number of workers in agriculture sector should be rationalized so that it can control the production capacity. If this sector has been supported by technology and resources commensurable human being, we will be able to reach industrial sector which bases on capital and not be grouped as labour intensive.

Growth of industrial agriculture sector requires society's support also growth of new industrial industry in food sector. The following table shows how number of amounts companies of food sector related to amount of labour able to absorb.

Composition of companies which is participated in food industry

Island	companies		labour	
	number	%	number	%
Jawa	3,637	76.1	565,947	64.2
Sumatra	780	16.3	278,252	31.5
kalimantan	73	1.5	7,538	0.9
Sulawesi	164	3.4	16,900	1.9
Maluku	8	0.2	1,693	0.2
West irian	12	0.3	4,061	0.5
NTB & NTT	107	2.2	7,694	0.9
Total	4,781	100	882,085	100

Sources: BPS 1996 (calculated)

See table above, food industry more in Java though wide of agriculture farm is smaller relative compared to outside Java. This case means lack of spreading of industry centres in Indonesia.

3. Concept concerning BUMN and role of private sector in national economy. In economic process still needed to manage strategic industries which produce or generate public utilities. The other industries which work in similar type shall be managed by private sector. Concerning ownership of BUMN, government better not fully involved. There is some ownership owned by private sector as participation form in compiling policy of production.
4. Co-operation and spirit of culture as capital need to grow as national economy. Form of co-operation is relevant according to living society in Indonesia. It is shown from the pattern of co-operation activities with culture Indonesia had in society, that is spirit of togetherness or cooperativeness. In the execution of not all economic activities based of pattern work co-operation. There are some compatible economic activities or industries which are run with co-operation pattern namely

middle and small micro industrial sector. Industry need role of co-operation as media assisting to improve power bargaining, especially in price fixing.

5. Improvement of domestic and foreign investment.

Its doing to improve the transfer of technology and capital require investment from domestic cannot be expected to assist to accelerate economic growth. So that, it is needed investment from foreign state especially industrial nations go forward as effort make-up of accumulation of capital in domestic. Investment in Indonesia tends to be more characterized as direct investment. To support the make-up of investment, it needs the existence of governmental support in giving amenities in procedure entry of investment. Besides needing the assurance of security, rule of law, and supporters' presence for the clearing in investment, with the existence of direct investment, it can be expected that the happening of new technological transfer which support to the expanding of domestic industry.

6. Product standardization and managerial aspects.

Facing competition in international society, products require having quality standard which is internationally approved. With the existence of improvement on human capital and the existence of high technology applied by domestic industry can produce better products that fulfil international criteria. Role of labour as professional worker is very needed to reach the result.

7. Importance in Control of Execution of Development.

Owning development concepts to build good economy as well as being settled in phases is not perfect guarantee of the success of economic development without

the controllers (operation and observation) in that process. In execution of development, it needs the existence of observation in the form of institute or others and not related to governmental structure so that it will have independency in performing its duty.

Summary

Since in the early of Indonesia's independence, government have owned concept of economic development, but in the execution many obstacles like instability of security and politics and also execution which is contrary with the development planning.

Economic development concepts which have been made by some Indonesian experts such as Syafrudin, Sumitro, and Hatta are still in fact relevant to apply in this time. But it needs repairing and fixing in some cases which is related to economic conditions and social in this time.

Development of economic must promptly concern in agriculture sector and peripheral

industries in this sector. Later the make-up of human capital requires to be done to balance the growth of industry and to relieve the dependencies of technology on foreign countries.

Nevertheless, the role of foreign investment to increase economic growth is still needed, due to the limitation of domestic capital. Foreign investment is also expected in giving influence on technological aspect in domestic industry. With advanced technology, domestic industry can improve its ability, quality, and also efficiency so that it can compete with foreign companies.

Strategic industrial sectors which yield public facilities must be mastered by state and managed by state-owned corporation (BUMN). While other industrial sectors delivered to private sectors. The role of co-operation in economy is still needed, especially to support industry of small and medium industry sector.

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